

**STATE OF CALIFORNIA
REGIONAL WATER QUALITY CONTROL BOARD
CENTRAL COAST REGION**

STAFF REPORT FOR REGULAR MEETING OF FEBRUARY 3, 2011

Prepared on January 7, 2011

ITEM NUMBER: 13

SUBJECT: Status of the Los Osos Wastewater Project, Los Osos/Baywood Park, San Luis Obispo County

PURPOSE

The purpose of this update is to provide the Central Coast Water Board and the public the current status of the Los Osos Wastewater Project. The update will also allow San Luis Obispo County staff to offer detailed information regarding the project and upcoming steps.

BACKGROUND

The Los Osos/Baywood Park area of San Luis Obispo County is located on the southern edge of Morro Bay National Estuary, approximately ten miles west of the City of San Luis Obispo. The community has a population of approximately 15,000 people, and contains about 5,000 individual lots. Each residential dwelling within the prohibition zone disposes of domestic wastewater through individual on-site septic systems (there are some exceptions with small community septic systems). Due to shallow groundwater and high-density use of septic systems throughout the community, the upper groundwater aquifer has been degraded and is currently not meeting standards for drinking water supply. Because the upper groundwater aquifer is so degraded, most shallow drinking water wells have been shut down and domestic supply is pumped from the deeper portions of the aquifer. Pumping more from the deeper zone creates additional water quality problems by increasing the potential for seawater intrusion in that zone.

The Central Coast Water Board adopted Resolution No. 83-13 in 1983, amending the Central Coast Water Quality Control Plan (Basin Plan). This amendment prohibited discharges of waste from individual and community sewage systems within portions of the Los Osos/Baywood Park area. Since adoption of the prohibition, the Los Osos Community Services District and San Luis Obispo County have proposed several community-wide wastewater projects with the intent of complying with the prohibition.

Coastal Development Permit

The County is currently leading a process to complete a wastewater system and released a Draft Environmental Impact Report (DEIR) on November 14, 2008. The DEIR evaluated four project alternatives; all four of the proposed projects met the county's goals and objectives. The county solicited public comments on the DEIR, which were due on January 30, 2009. The Board of Supervisors certified a Final Environmental Impact Report (FEIR) and approved a coastal development permit on September 29, 2009. By October 19, 2009, 23 parties

appealed the Board of Supervisors' actions to the Coastal Commission. At its January 14, 2010 hearing, the Coastal Commission found that the appeals raised substantial issues with the project and required a *de novo* hearing. The Coastal Commission unanimously approved the newly conditioned coastal development permit and FEIR at its June 11, 2010 *de novo* hearing. The Coastal Commission staff report can be found at the following website.

<http://documents.coastal.ca.gov/reports/2010/6/Th7b-6-2010.pdf>

Water Board Update, May 2009

At the May 8, 2009 Water Board meeting, Central Coast Water Board staff, county staff, and a local water purveyor representative provided an update on the Los Osos Wastewater Project and how it affects the hydrologic balance of the Los Osos groundwater basin. Water Board staff developed a staff report, which discussed the project background and status, groundwater balance, groundwater production, seawater intrusion, water conservation, and the Water Board's authority to regulate water use. Members of the public provided comments generally regarding seawater intrusion, water conservation, and reuse of reclaimed water in the Los Osos groundwater basin. The staff report and minutes for update can be found at the following website.

http://www.swrcb.ca.gov/centralcoast/board_info/agendas/2009/may/item_15/index.shtml

LOS OSOS WASTEWATER PROJECT STATUS

The county's primary goal is to construct and operate a community wastewater collection, treatment and disposal system for the approximately 15,000 residents, thereby complying with the Water Board's Resolution No. 83-13. Eliminating discharges from onsite septic systems will alleviate ongoing groundwater pollution.

The proposed treatment system is conceptual and consists of bar screens, secondary treatment (parallel oxidation ditches), secondary clarification, tertiary filtration, and ultraviolet disinfection. Solids will be thickened then mechanically dewatered and disposed of at an approved biosolids disposal site. The facility will also include a septage receiving holding tank to meter septage into the wastewater treatment process. The septage receiving facility will be used only for septage generated by tanks within the Los Osos area that are served by the community wastewater treatment facility. The treatment plant's annual average flow design capacity is 1.2 million gallons per day (MGD). Treated municipal wastewater will be discharged to leachfields (Broderson and Bayridge sites), urban landscape irrigation, and agricultural irrigation.

The proposed collection system is primarily gravity, with some low-lying areas served by low-pressure pump systems.

Project Funding

The county has been actively pursuing grant funding and low interest loans for the development and construction of the wastewater project. On September 3, 2010, the U.S. Department of Agriculture committed to allocate \$87 million towards the project. This allocation includes \$4 million in grant funds and \$83 million in loans (3.25% interest rate for a 40-year term). The county is also pursuing funding from the State Water Board for an additional \$86 million. State Water Board staff plans to propose a resolution regarding a funding commitment at its March 1, 2011 meeting.

On December 14, 2010, the Board of Supervisors adopted an ordinance establishing service charges to fund loan repayment not covered by property assessments.

Assembly Bill 2701, which was adopted in September 2006, and allowed the county to assume responsibility for the project from the Los Osos Community Services District, requires the county to perform "due diligence" before officially taking responsibility for the project. County staff anticipates proposing a due diligence resolution for consideration by the Board of Supervisors after the funding commitment by the State Water Board in March 2011.

Waste Discharge Requirements

Central Coast Water Board staff is currently developing waste discharge requirements for the Los Osos Wastewater Recycling Facility. County staff submitted its report of waste discharge on August 16, 2010, in accordance with Section 13260 of the California Water Code. Water Board staff anticipates proposing waste discharge requirements for adoption at the May 5, 2011 Water Board meeting. A draft will be available for public comment in early February 2011. The waste discharge requirements order will include findings, discharge prohibitions, effluent limitations, recycled water specifications, standard provisions, as well as a monitoring and reporting program.

Project Schedule

Project Milestone	Anticipated Date
Due Diligence Resolution	April 2011
100% Project Design	August 2011
Begin Collection System Construction	October 2011
Begin Treatment Facility Construction	June 2012
Complete Collection System Construction	November 2014
Complete Treatment Facility Construction	November 2014
Wastewater Treatment System Start Up	December 2014

GROUNDWATER BASIN BALANCE/SEAWATER INTRUSION

Domestic water for the Los Osos community is produced by three main water purveyors: Golden State Water Company (GSWC), Los Osos Community Services District (LOCSD), and S and T Mutual Water Company (S&T). A relatively small quantity of drinking and irrigation water comes from individual private wells, mostly in outlying rural areas. Under supervision of San Luis Obispo County Superior Court, the three main water purveyors and the county entered into an Interlocutory Stipulated Judgment (ISJ) on August 5, 2008. The ISJ allows for the parties to cooperatively assess, develop, and implement a plan to address water rights and use in the Los Osos Basin. The County's participation in the ISJ working group allows coordinated efforts between the construction of the wastewater project and water management in Los Osos.

Los Osos Groundwater Basin Update

The ISJ working group notified the public of its efforts through the May 5, 2010 Los Osos Groundwater Basin Plan Update. The May 2010 update included a discussion of Los Osos Basin characteristics, the basin's safe yield, and current seawater intrusion. The update also included various activities that the ISJ working group will investigate and consider to balance the basin. Further, the ISJ working group plans to incorporate these actions as part of the

subsequent Los Osos Groundwater Basin Management Plan (BMP). According to the May 2010 update, the seawater wedge has extended into the lower aquifer through “fingers” at a rate of 700 feet per year. These data were analyzed from 2005 through 2010. The Los Osos Groundwater Basin Update can be found at the following website.

[http://www.lososocsd.org/Library/Document%20Library/groundwaterbasinupdate5-4-2010\[1\].pdf](http://www.lososocsd.org/Library/Document%20Library/groundwaterbasinupdate5-4-2010[1].pdf)

Central Coast Water Board staff wrote a memo dated July 23, 2010, outlining the more immediate actions (while working on the overall management plan) by the ISJ working group agencies to reduce seawater intrusion and achieve basin balance. The memo identified the following projects:

1. The Golden State Water Company and Los Osos CSD intertie agreement,
2. South Bay Boulevard upper aquifer blending well Installation,
3. Golden State Water Company well pumping shift,
4. GSWC Rosina wellhead treatment site, and
5. Multiple agency water conservation activities.

The July 23, 2010 Central Coast Water Board Memo is attached, and is posted here:

http://waterboards.ca.gov/centralcoast/water_issues/hot_topics/2010_07_23_ISJ_workinggroup_memo.pdf.pdf

According to recent conversations with ISJ working group members, the Los Osos draft Basin Management Plan is anticipated to be complete in March 2011.

CEASE AND DESIST ORDERS

In December 2006 and May 2007, the Central Coast Water Board adopted 13 cease and desist orders requiring the recipients to meet the requirements of Resolution No. 83-13 by ceasing the use of their septic systems if the county fails to construct a community-wide wastewater system. Water Board enforcement staff also entered into settlement agreements with 25 additional Los Osos homeowners with terms similar to the cease and desist orders. Several order recipients appealed the orders to the State Board. The State Board rejected the appeals and the recipients subsequently sued in County Superior Court to overturn the orders. On December 28, 2010, the court denied the petitioners’ case, stating that the cease and desist orders “are supported by substantial evidence, and that the hearings were conducted in the manner required by law.” The court also found that the “Regional Board went out of its way to provide due process of law, allowing affected residents a reasonable opportunity to speak their minds and present exculpatory evidence.” The orders and settlements require maintenance of the on-site systems (including pumping every three years, consistent with standard conservative maintenance recommendations) and connection to the sewer system once it is available.

RECOMMENDATION

This item is a status report and opportunity for discussion of project goals and basin management. No action will be taken by the Water Board. Staff plans to bring the waste discharge requirements to the Board in May for consideration of adoption.

ATTACHMENT

July 23, 2010 Central Coast Water Board Memo

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